

December 14, 2004

Board of Supervisors
Waukesha County Courthouse
515 West Moreland Boulevard
Waukesha, Wisconsin 53188

Honorable County Board Members:

Submitted herein is the County's 2005 Budget as adopted by the County Board of Supervisors and signed by the County Executive.

IMPACT ON HOMEOWNERS

Balancing the taxpayer's ability to pay with maintaining quality government services is a key priority during these difficult economic times. This budget continues to show restraint from increasing property taxes. This year's tax bill impact on County residential taxpayers, based on the average County home value of \$235,300 will result in an average County tax increase of about 2.8%. The best measure of tax performance is over the long term. Waukesha County property taxes have averaged about 1 ¼% increase per year for the past ten years, which is less than the rate of inflation. This is based on the average value of a Waukesha County house of \$152,945 in 1995 to \$235,300 in 2004. The County tax on that same house was \$442 in 1995, and the County tax based on the adopted budget would be \$497 in 2004 (for 2005 budget purposes).

LIMITING SPENDING AND TAXES

The 2004 County property tax (General and Federated Library tax), totals \$84,083,624 (for 2005 budget purposes) when excluding new shared services like the Communications Center and the Countywide Hazardous Materials Response Contract. It represents an increase of \$1,900,919 or 2.31% from the comparable 2004 tax levy. This tax levy increase is within the State Legislature's proposed tax freeze, which, if adopted, would have limited the county's tax levy increase to the current year's tax base growth in new construction property valuation at 2.36% for 2004 and exempts new shared services.

The shared services includes the Phase II full year impact of the new Communications Center dispatch operations, which requires additional tax levy funding of \$1,298,633, and \$140,000 for the new hazardous materials response contract. This adds an additional 1.8% to the 2004 general tax levy.

Budget expenditure appropriations in 2005 total \$254,378,032, which consists of capital project spending of \$29,727,500 and operating expenditures of 224,471,032. The operating expenditure increase of \$15.94 million is mainly due to a transfer of State Health and Family Service program responsibilities and related funding of nearly \$11.0 million; a \$1.6 million partial year impact for the planned opening of the 278 bed jail addition; and \$1.1 million of additional expenditures for the first full year of the Communications Center. These major items, when taken together, have made this year's budget more challenging than in past years.

Without these major impact factors, the on-going operating expenditure appropriation increases (excluding Capital project expenditures) for the cost to continue maintaining most essential base services levels is about \$2.5 million or approximately 1% with a tax levy increase of \$1.18 million. Even after absorbing a 6% increase in health insurance costs, and a 5% increase in Wisconsin retirement pension contributions.

The special Federated Library System County tax is budgeted at \$2,741,386, a decrease of \$27,801 or 1.0%. For the 2005 budget (2004 taxes), the proposed special Library tax rate is about \$0.24 per \$1,000 of property value in communities without libraries.

STATE BUDGET RAMIFICATIONS

The State budget remains in a fiscal deficit, which puts a heavy burden on local governments in Wisconsin to deal with more transfers of state program responsibilities, especially when State funding to Counties have been frozen and/or continues to decline. State unfunded mandates continue to grow, which now requires about 39% of the County's local property tax to funding or \$ 33.2 million. This mandate burden to County taxpayers has gone up 12% since 1997.

The current State budget provides no increase to locals for the Basic County Allocation (BCA), frozen since 1996 at \$11.4 million revenue base for major Human Services program mandates. This lack of increase in the BCA to fund mandated services is a significant driver that increases our local Health and Human Services property tax levy need by over an additional \$600,000.

Certain non-core, non-mandated Human Services programs and service costs are being reduced in this budget due to fiscal pressures in mandated programs areas. These reductions include the following:

- Decreasing a full time social worker position to part-time results in about 1,000 less hours of intake and assessment services, which will decrease prevention and early intervention assessment activities during high referral periods. The estimated levy savings of \$32,500 is shifted to other human service mandate areas.
- Decreasing budgeted prescription drug expenditures of \$87,000 for psychotropic medications dispensed to individuals with mental illness who do not have ability to pay, which is the result of current effective drug cost containment methods (such as fast track Medical assistance/Social Security Income application assistance).
- Decreasing structured activities contracted for \$30,000 at the Juvenile Center for troubled youth, which under this plan will be replaced by existing staff when possible.

This State trend is further realized with the State Circuit Court Support Grant funding allocation which has not been increased since 2000, while the costs to support the courts have dramatically increased. The County will levy \$105,000 of additional property taxes to support State Circuit Courts for 2005 in spite of efficiencies and budget actions taken.

JAIL ADDITION TO OPEN

A vital factor in controlling spending and taxes is to keep a firm handle on position growth. This budget does that by eliminating some non-essential positions, and only creates the necessary positions to staff and maintain the Justice Center's jail addition.

The planned facility expansion includes a new 278-bed jail that is expected to open in October 2005, with partial year funding combined (Sheriff and Public Works) of over \$1.6 million of new operating expenditures and the tax levy funding need of \$1.2 million.

The Sheriff's department budget includes the major portion of the jail operating cost impact estimated at \$1,277,800 with tax levy funding of \$885,900, which mainly results from mid-year funding for 20 additional Correctional Officer positions (17 to be newly created and 3 previously authorized but unfunded in the 2004 budget). Also, two Correctional Supervisor positions are being added, and 4.5 Clerk Typist II positions are requested for administrative support. The Sheriff anticipates higher medical service and meal costs due to higher jail inmate population and one-time furniture and equipment costs.

Public Works building operations for maintenance and housekeeping of the jail addition for a partial year adds \$316,000 of additional tax levy for three Maintenance Mechanics and one Building Service Worker. Also, jail-related utility costs are expected to be higher, along with more maintenance and housekeeping supplies.

In order to slow the growth of the jail inmate population, a major goal of the Criminal Justice Collaboration Council is to reduce inmate recidivism. It has a budget request for 2005 totaling \$459,000 and property tax levy support of almost \$441,000, an increase of \$50,000 over the 2004 base budget level. This includes \$50,000 of new tax levy dollars to develop new programs that are aimed at controlling or reducing jail inmate population growth and avoiding higher future costs

NEW DEPARTMENT OF EMERGENCY PREPAREDNESS

As we prepare for the future, this budget recognizes that homeland security and emergency preparedness are critical functions necessary to provide our citizens with the best public safety possible. This new department is a combination of current County programs that deal with emergency planning and response under a new department called Emergency Preparedness. Budget appropriations for the department total almost \$5.6 million and tax levy support of \$3.7 million. This newly formed department will become effective in July 2005 and combines the existing Communications Center (dispatch operations), Emergency Management Division, and Radio Services Operations. Existing positions are being transferred into this department and no additional positions will be created. This combination will allow the Department of Emergency Preparedness to be managed with one common mission under a more appropriate alignment of program services to better utilize resources in a more efficient and effective manner.

INFRASTRUCTURE INVESTMENTS

During tough governmental budgeting times that appropriately focus on limiting tax growth, the County leads the way in preparing for the future with a comprehensive capital plan that addresses critical infrastructure needs while continuing to effectively manage debt financing to protect our valued Aaa/AAA Bond ratings.

The Capital Projects plan for 2005-2009 continues its emphasis on the County Trunk Highway System (C.T.H.) and Justice & Public Safety projects. C.T.H. projects total nearly \$67.0 million and comprise over 60% of the project plan expenditures. Justice and Public Safety capital expenditures are planned at almost \$28.5 million, which is 26% of the project plan. These two areas total \$95.5 million or more than 86% of capital plan expenditures. Parks and Land Use projects are planned at \$8.0 million and make up 7.3% of the capital plan. The 5-year Capital Project plan reduces expenditures by 5% from last year's plan of \$116 million, which is reduced to \$110 million.

Capital Project budget expenditures for the first year of the plan total \$29.7 million. This increase of \$1.4 million from the 2004 budget is funded by almost \$1.2 million of new federal grant revenues available for specific projects. This capital budget maintains our fiscal integrity as part of a balanced capital plan. We continue to fund the capital budget with a 24.4% tax levy down payment, and we plan to borrow \$1.6 million less than was previously in the 5-year plan.

The 2005 Capital Projects budget of \$29.7 million include the following:

- Continued funding in 2005 for 22 existing projects totaling nearly \$24.6 million or nearly 89% of the proposed capital budget. This mainly includes \$14.4 million for building construction projects, of which \$11.5 million is for final construction funding of the Justice Center expansion project and \$2.8 million for building projects at the UW-Waukesha campus. Also, approximately \$8.3 million is for C.T.H. projects, with \$5.2 million for first phase of the 3.3-mile multi-lane reconstruction of C.T.H. Q, (Colgate to State Trunk Highway 175). In addition, C.T.H. repaving, culvert replacement programs and signal/safety improvements are funded at nearly \$3.0 million. Several existing Information Systems Division technology infrastructure projects include appropriations totaling \$1.25 million.
- The 2005 budget also includes funding for five new projects totaling over \$1.4 million, which includes \$800,000 for Land Information Systems Division Ortho-photography; \$465,000 for Exposition Center facilities compliance and major maintenance projects; \$135,000 for a new overhead crane at the Central Fleet Maintenance shop; and nominal amounts to design maintenance building replacements at Muskego and Naga-Waukee Parks.


PROJECT FUNDING AND DEBT MANAGEMENT

- The 2005 Capital projects budget is funded with revenues totaling \$4,035,000, which is an increase of \$1.4 million from the 2004 budget. These revenues mainly consist of Transportation-related funding from a combination of federal, state and local sources of \$2.045 million, and an estimated \$800,000 from the State payment for the technology/computer equipment exemption from the personal property tax base. In addition, grant funding totaling \$1.19 million is expected mainly from Federal Homeland Security grant funding sources.
- Fund balance appropriations total \$5,855,000, including \$ 3.0 million of general fund balance, \$1.25 million of reserved Capital project fund balance and \$805,000 Proprietary fund balance for related capital projects for various Internal Service fund projects. Land Information Systems reserved fund balance of \$800,000 is used as one time funding from prior years land recording fee revenues to fund the Ortho-photography project.
- In addition, other major project funding includes debt borrowing of \$14.4 million, investment income on the borrowed funds of \$600,000 and a tax levy down payment of \$4,837,500. The tax levy amount budgeted for capital projects increases \$84,168 from the 2004 budget amount and funds 24.4% of net expenditures (after revenues and fund balances are applied).
- The 2005 Debt Service budget decreases tax levy by \$548,937, which is primarily due to the early redemption of the \$4.8 million remaining balance of the 1997 promissory notes. The Debt Service budget proposed for 2005 continues to be well within compliance of the State's imposed levy rate constraints on counties. The Debt Service expenditure ratio to total governmental operating expenditures is expected to decline below 7%, which is well below the County's performance measure of less than 10%. This budget continues prudent debt management and capital budgeting policies and practices to maintain the County's coveted Aaa/AAA bond ratings. These ratings continue to help lower the County's borrowing costs for taxpayers.

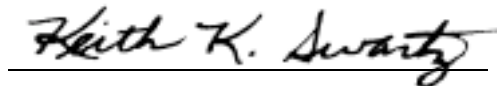
ACKNOWLEDGEMENTS

The Adopted 2005 budget provides a solid foundation to "Preparing for the Future" and allows the County to meet challenges that are ahead. We will continue to lead the way with a strategic decision making process by utilizing strong financial management principles to strive for sound long term solutions rather than taking a "making it through the year" approach. This philosophy will continue to allow us to make necessary investments today that will pay off in the future. Waukesha County continues to be a leader in limiting tax growth and controlling spending while achieving outstanding results.

Sincere appreciation to Department administrators and their staff for their extraordinary efforts in developing this most challenging budget. These efforts and the thorough review and approval by the County Board of Supervisors, are greatly appreciated.



Norman A. Cummings
Director of Administration



Keith K. Swartz
Budget Manager